

**Statement by Ambassador Lang
Deputy US Trade Representative
Before the Senate Finance Trade Subcommittee
May 15, 1997**

Mr. Chairman, members of the Committee, it is a pleasure to be here today to talk to you about US agricultural trade issues.

Today, I would like to touch briefly on recent successes in U.S. agricultural exports and discuss how we have used the GATT Uruguay Round and NAFTA agreements to improve agricultural market access. I will also outline our plans to open new markets in the future.

GATT Uruguay Round and NAFTA

Agricultural Success Statistics

Three years ago, we concluded the NAFTA negotiations and two years ago, we finalized the GATT Uruguay Round agreement. We have witnessed remarkable growth in our agricultural exports in recent years, in part as a result of the new markets we opened during these negotiations.

For example, in 1995, the U.S. set a historical record by exporting \$54.6 billion worth of agricultural goods. In 1996, U.S. agricultural exports did even better by climbing to \$59.8 billion, another new record. Incidentally, this represents a 40.4% increase in agricultural exports since 1992 when this Administration took office. Also since 1992, US agriculture has become the single largest net exporter of goods.

Already today -- one out of every three farm acres in America is dedicated to exports. 50% of our wheat acres, 57% of our rice acres, 37% of our soybean acres, 24% of our corn acres, 35% of our fruit and vegetable acres and 42% of our cotton acres are dedicated to producing product for export. In fiscal year 1996, new highs were reached in fresh, frozen and chilled red meat exports, \$4.3 billion, and in poultry meat exports, over \$2.4 billion. Also in 1996, "Consumer-oriented" agricultural exports reached a new high of \$20 billion. This is a 32% increase over 1992.

In 1990, before NAFTA and our bilateral agreements with East Asia, we exported \$1.6 billion in beef every year. 5 years later -- after we opened the doors -- we exported \$1.7 billion to Japan alone. Last year beef and veal exports to Mexico alone jumped nearly 80%.

How we are using the WTO to benefit U.S. agriculture

These days, we hear a lot about US trade deficits. I'm happy to report that US farmers and agribusiness this last year created an estimated \$27.4 billion trade surplus -- the largest ever.

These statistics are very encouraging and they reflect in part an already aggressive campaign by this Administration to open agriculture markets around the world. Let me cite a few examples of how we are using the GATT 1994 Agreement on Agriculture and both the NAFTA and WTO Agreements on Sanitary and Phytosanitary measures to further open export markets for U.S. agriculture.

During the Uruguay Round, we negotiated new access to Japan for U.S. pork. As a result of these negotiations, U.S. pork exports increased 60%. During the Uruguay Round we also secured market access for U.S. orange and grape exports to Korea. Our grape exports to Korea quadrupled as a result of this agreement and our orange exports jumped from \$1.7 million in 1994 to \$14 million in 1996. We've used the sanitary and phytosanitary principles in the NAFTA and the Uruguay Round of the GATT to open markets for cherries, citrus, apples and meat. U.S. citrus exports are now entering Thailand, Brazil and Mexico, and U.S. apples are being sold in Japan as a result of reduced sanitary and phytosanitary barriers.

We are using the WTO Committee on Agriculture to aggressively pursue member countries that are not fully living up to their Uruguay Round commitments on agriculture. The Committee on Agriculture is an effective forum for applying multilateral pressure in cases where tariff-rate quotas have not been opened or are being administered in such a way as to deny market access and in instances where export subsidy and domestic support commitments are being circumvented.

We have also used the Committee on Agriculture as the first point of pressure in pursuing cases which ultimately lead to dispute settlement, for example, the Philippines pork and poultry consultations and the Hungary export subsidy case. The Philippines continues to place barriers in the path of U.S. exports of pork and poultry. Consultations were held with the Philippines on April 30. We are considering our next steps on this case.

Hungary violated its WTO export subsidy commitments in both 1995 and 1996. Despite protracted consultations to get them to comply, they have not. Four countries (Australia, New Zealand, Argentina and the United States) requested the formation of a dispute panel. We are currently in the process of selecting panelists.

As you know, some of our fruit and vegetable exports face unjustified sanitary and phytosanitary barriers. For example, Japan continues to require lengthy variety-by-variety testing before it will grant export approval for additional U.S. fruit varieties. We believe Japan is stalling because of domestic political considerations. We've had enough. We requested consultations with Japan and will hold these consultations on June 5.

WTO Dispute Settlement Successes

As a result of our WTO case, Korea has converted to a manufacturer's shelf-life system which will significantly open the Korean market to US agricultural products. We requested a

WTO panel which resulted in the EU agreeing to implement the cumulative recovery program for brown rice and certain duty reductions for malting barley.

U.S. exports of beef produced with growth promotents are banned by the European Union. We took this case to the WTO, arguing that the ban is a violation of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures of the GATT 1994. The interim report affirmed our position that such measures should be based on scientific principles. We expect the final report to be issued in mid-June.

Current efforts and future plans

We have fought and successfully ensured that bio-engineered products are getting access to the EU. As part of this effort, the US has urged the EU to begin streamlining its approval process so that GMOs are treated fairly and are consistently, and reviewed on a scientific basis in a timely and transparent manner. I should mention however, that the EU has recently proposed labeling and/or segregation of bio-engineered products. We find these developments very troubling and you can be assured we are watching the EU closely.

We see three broad areas of current and future work on agricultural market access issues:

First, we will continue to use the WTO Committee on Agriculture to put pressure on member countries to fully implement their Uruguay Round commitments and to address emerging agricultural trade problems like tariff rate quota administration, state trading enterprises, domestic support and export subsidies. We will also back up our efforts with WTO dispute settlement and aggressive use of US trade laws where necessary.

Second, all WTO accessions must proceed on a commercial basis. In all cases, agricultural issues must be appropriately resolved or there will be no entry into the WTO.

Third, we are beginning to prepare for the next round of negotiations so that the process of reform can pick up where the Uruguay Round left off.

The bottom line is that U.S. agriculture needs to remain committed to the goal of more open world markets, and we need to keep other countries moving in that direction. This Administration is very committed to that task.

Regional Initiatives

We are also committed to using regional strategies to continue to grow U.S. agricultural exports.

Under the umbrella of the Free Trade Area of the Americas (FTAA), three hemispheric working groups have been created that will focus directly on agricultural interests. One group will address market access, another sanitary and phyto-sanitary issues, and a third will address

anti-dumping and countervailing duty issues and subsidies. We will ensure that the work done by these working groups reflects this administration's strong support for US agricultural trade interests.

The immediate objective of the Administration is to ensure that the Trade Ministers decide on how and when to launch these negotiations. This hemisphere is our single largest and fastest growing market. We must compete in it head-on.

We believe that it is critical that the United States help shape the free trade agenda in the Americas by working with Chile to lay the cornerstone to the Free Trade Area of the Americas.

We also hope to use the Asia-Pacific Economic Cooperation Forum (APEC) to shape the free trade agenda in the Pacific Rim. APEC economies account for over half of the world's GDP. Nearly 43 percent of our agricultural exports go to Pacific Rim countries. Last year, the APEC member countries laid the foundation to achieve free and open trade and investment by the year 2010 for industrialized economies and 2020 for developing ones. APEC's commitment to comprehensiveness means that no APEC economy can exclude agriculture from the goal of free and open trade. This year, an APEC task force will complete the analytical work that will help determine how best to move forward toward this goal.

Conclusion

The Clinton Administration has fought hard to expand free and fair trade. Market opening initiatives have been and will continue to be the driving force of international trade policy. Future prosperity on the farm, in the countryside and in our nation's cities depends on our continued success in opening up new markets and tearing down trade barriers. Failure to do otherwise would hurt farmers, city dwellers and our nation as a whole.

As you know, the Administration plans to seek fast track negotiating authority. In order to expand markets for agriculture and other U.S. industries, it is necessary that we have fast track negotiating authority. I hope we can count on your support as we move forward in this dynamic process.

Thank you.